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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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CC Docket No. 92-77

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In the Matter of)
Billed Party Preference)
for 0+ InterLATA Calls)

AUG 28 1992

Federal Communications Commission
Office of the Secretary

**REPLY COMMENTS OF
LITEL TELECOMMUNICATIONS CORPORATION**

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I. INTRODUCTION AND SUMMARY

LCI International ("LCI") hereby files these reply comments in response to the Federal Communications Commission (Commission) Notice of Proposed Rulemaking (FCC 92-77) released by the Commission in the above-captioned proceeding on May 8, 1992 [hereinafter "Further Notice"]. In its Further Notice the Commission requested comments on the benefits and cost associated with Billed Party Preference (BPP). The following sets forth LCI's reply comments to the initial comments of various parties.

II. COMPTEL'S COMMENTS

CompTel has attempted to down play the significant benefits that BPP will bring to consumers. CompTel argues that the benefits associated with BPP are already available to consumers via access code dialing. CompTel would like the Commission to also believe that implementing BPP is cost prohibitive. CompTel's comments are not representative of all its members. LCI is a member of CompTel and strongly opposes CompTel's position in this proceeding. CompTel's comments appear to represent those of CompTel members that are OSPs who, like AT&T, have a great fear of directing the benefits of operator services away from the property owner and toward the end-user.

CompTel would like the Commission to believe that the action taken by Congress and the FCC over the last several years ensures consumers already have adequate information regarding the OSP presubscribed to

each phone.¹ CompTel cites audible brands, rate quotes and the fact that consumers can access the carrier of their choice from any phone. CompTel also argues that "... consumers who do not wish to place their calls through the presubscribed carrier now have several methods of dialing around it." LCI agrees that the steps taken by Congress and the FCC have resulted in fewer consumer problems with regards to operator services. However, in no way have these actions brought consumers the benefits that await them in a BPP environment. CompTel has only retraced steps that were necessary to protect consumers from the pitfalls of the existing operator services market. Even with the steps implemented by the Commission and Congress, consumers are still only able to reach their preferred carrier when they understand how to access their carrier via access code dialing. Even when customers understand how to use an access code to reach their preferred carrier, they often elect not to do so because of the inconvenience of dialing additional digits. In addition, the existing process is focused on the calling party rather than on the party that is paying for the call.

In its Further Notice the Commission asked for comments and evidence on consumer attitudes toward and acceptance of access code dialing. In an attempt to show that consumers interest in access code dialing has increased, CompTel provided an example of one private

¹/ Initial comments of the Competitive Telecommunications Association, CC Docket 92-77, p 3.

payphone owner that had an increase in 10288 access code calling of 10.19% over a period of approximately seven months.² CompTel's example provides no evidence whatsoever that consumer attitudes toward access code dialing has improved. The Commission must recognize that AT&T is an anomaly regarding 10XXX access compared to all other IXC's and OSP's. This is because AT&T actively promotes its 10XXX code as a means of access. This is not true with other carriers who do not have the financial resources to advertise and educate their customers with regards to access dialing codes. The Commission should not accept an increase in AT&T's access code traffic at one private payphone station as an indication that consumers' acceptance level of access code dialing has increased.

One of the most significant benefits offered by BPP is that the call is handed off to the preferred carrier of the party paying for the call. CompTel attempts to discredit this benefit by stating that "...callers already are connected automatically to their "preferred" carrier over 60 percent of the time because the presubscribed OSP also is their "preferred" OSP."³ CompTel's statement further supports the need for BPP. CompTel has conveniently failed to explain how the current environment negatively impacts consumers accepting third-party and collect calls. BPP will enable consumers to use payphones and

²/ Initial comments of the Competitive Telecommunications Association, CC Docket 92-77, p5.

³/ Ibid, p7.

aggregator phones without fear of who will bill them and at what rates. This is because BPP ensures that the individual paying for the call is billed by the carrier that they have selected to carry that call. CompTel's argument that consumers reach the carrier they wish to have handle a particular call simply because AT&T provides 75 percent of 1+ lines at homes and offices and 80 percent of 0+ lines at aggregators locations is without merit, CompTel's statistics merely confirm that AT&T is the dominant provider. Even if a customer's 1+ presubscribed carrier is AT&T, there is no basis to assume that these consumers do not wish to have their call carried by LCI or another IXC. Today's operator services environment also prohibits customers of LCI and other IXCs that accept collect and third-party from having any control over the rates they will be billed, because in today's environment the emphasis is not placed on the party paying for the call. In a BPP environment these problems would be eliminated.

There is no question that consumers will be better off under a BPP plan than the existing process. The most important advantage of BPP is that it focuses competition on the end-user. CompTel states in its comments that "...OSPs have sufficient incentives to provide high quality service to end users of public phones. Indeed, OSPs who do not satisfy the needs of both end users and location owners cannot

succeed under the present system." ⁴ CompTel provides no examples as to how OSPs focus on end-users in today's operator services environment. In fact, based on the operator service rules that the Commission has implemented, LCI believes that it is obvious that OSPs have not been concerned with the interests of end-users.

In its comments CompTel makes the argument that BPP will impede the ability of new and small IXC's to compete in the "0+" marketplace because BPP requires carriers to offer nationwide origination. BPP does not require a carrier to offer nationwide originating service in order to effectively compete. CompTel's concern is alleviated by the concept of a secondary carrier. Secondary carrier eliminates the requirement that IXC's must be able to provide nationwide origination in order to compete in a BPP environment.

III. DIALING CONVENIENCE

One concern regarding BPP is that it may require the interjection of two operators. The first being the operator of the LEC and the second being the operator of the OSP. CompTel goes on to argue that the interjection of two operators will cause serious problems and that end-users will be frustrated in having to give calling information twice. The need for customers to repeat the same calling information to two operator systems will not be required with the deployment of OSS7 at the LEC operator services switches and Automated Alternate

4/ Initial comments of the Competitive Telecommunications Association, CC Docket 92-77, p8.

Billing Services ("AABS").⁵ CompTel goes on to question how practical it will be for hundreds of small independent LECs to install software, deploy SS7 and AABS and questions their ability to participate in BPP in the near future. Based on Ameritech's estimates, there should be sufficient time for even the smallest independent LECs to plan for the conversion to a BPP environment. It is also possible to phase in BPP over some period of time with regard to the smallest LECs. LCI acknowledges that not all issues surrounding BPP will be addressed in this proceeding. However, based on a projected implementation date of late 1994 it would appear that there is sufficient time to work any of these remaining issues prior to implementation.

IV. COST OF BPP

While no party can determine the cost of a fully implemented BPP plan, Ameritech has made the following cost projections:

Scenario 1.

All interLATA and 0+ and 0- calls from every line.

unit costs \$0.16

Scenario 2.

All interLATA payphone traffic.

unit costs \$0.18

Scenario 3.

All interLATA 0+ traffic from all lines.

unit costs \$0.14

5/ Initial comments of the Ameritech Operating Companies, CC Docket 92-77, p14.

In addition these unit costs include one-time expenses amortized over the first five years of service. CompTel's comments attempt to inflate the cost of BPP by applying the cost of BPP to only those customers that would not currently be receiving the presubscribed carrier of their choice. LCI does not believe that the projected costs associated with BPP are prohibitive. The Commission must also consider the savings that OSPs and IXC's will obtain by no longer having to pay Commissions on the average of 15 to 20 percent to property owners. LCI believes that if the cost of BPP is recovered in part through IXC's and OSPs then it should be recouped through some form of BPP access charge. Such a charge should only be incurred by IXC's and OSPs when they access the BPP system.

As previously stated CompTel's comments should not be considered as the view of all of its members. CompTel's comments have been clearly written with the interest of their OSP members in mind rather than the interest of consumers. The Commission should recognize that LCI, while in favor of BPP, will be incurring the same risk as other IXC's and OSPs. However, LCI believes that the benefits to consumers as well as the opportunities that BPP presents outweigh this risk.

V. AT&T's COMMENTS

"AT&T long distance services 7 out of 10 public payphones, 19 out of the 20 top lodging chains, and 20 of the 25 largest airports in the

U.S." ⁶ Because of its strangle hold on the operator services market there is no question as to why AT&T is opposed to a BPP environment. In a BPP environment AT&T's dominance of the operator services market would become vulnerable. While AT&T would likely serve approximately 64.4 percent of the market at the time BPP is implemented, this number would drop as IXCs and OSPs direct their efforts toward the end-user. AT&T's states in its comments that "under the routing arrangements proposed in the notice, the IXC for interLATA 0+ dialed calls would no longer be automatically selected by the customer placing the call. Instead the LECs would ...identify the preferred IXC of the party to be billed for the call, and route the call to that carrier."⁷ AT&T would like the Commission to believe that it is more beneficial for the call to be routed to the carrier designated by the party placing the call rather than to the carrier of the person paying for the call. AT&T appears concerned that if calls are not automatically routed to the carriers chosen by the property owner, AT&T will lose the benefit of being the dominant provider of operator services at payphone and aggregator locations. This is understandable considering AT&T's dominance of of public payphones, lodging chains and airports. To LCI it only makes sense to direct the call to the carrier of the

6/ AT&T's 1991 Annual Report.

7/ Initial comments of AT&T, CC Docket 92-77, p2.

individual paying for the call rather than to the carrier of the person placing the call. Like CompTel, AT&T argues that customers currently have access to the carrier of their choice via 10XXX, 950 and 800 numbers.⁸ LCI's comments to these issues are the same as stated previously.

VI. COMPENSATION

As LCI stated in its initial comments it does not believe that any form of compensation should be required to be made to owners of payphones by IXC's or OSPs. However, if the Commission does require some form of compensation, then LCI strongly urges the Commission to adopt a compensation mechanism that would require compensation to be paid only by the OSP that received the benefit of BPP calls made from the applicable payphone.

VII. CONCLUSION

BPP provides the Commission with an opportunity to eliminate the inherent problems associated with today's operator service market. Parties such as CompTel and AT&T that oppose BPP do so because it moves the focus of operator services away from the property owner and toward the end-user. This is highlighted by AT&T's statement that under a BPP environment "... interLATA dialed calls would no longer be automatically selected by the customer placing the call." AT&T

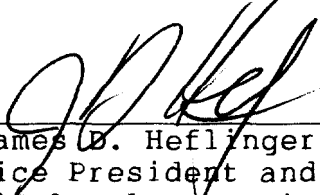
8/ Initial comments of AT&T, CC Docket 92-77, p6.

appears to be saying that if calls are not automatically routed to the carrier chosen by the property owner, AT&T will lose the benefit of being the dominant provider of operator services at payphone and aggregator locations.

CompTel's position appears to be driven by those members in its association that, like AT&T, do not want the focus of operator service to be directed away from the property owner. CompTel also argues that based on the cost to consumers the Commission should not adopt a BPP plan. CompTel appears to have inflated the cost of BPP by placing the total cost only upon a select group of consumers. CompTel also argues that BPP will keep carriers that do not originate services on a nationwide basis out of the market place. In no way will BPP restrict market entry only to those carrier that provide nationwide origination. CompTel's concerns that market entry will be restricted is without merit. Under the BPP carriers that do not serve the entire nation will be able to enter into arrangements with a secondary carrier to ensure that their customers can originate calls on a nationwide basis. No parties have raised issues that would warrant the Commission to reject a BPP plan.

In its Further Notice the Commission tentatively concluded that BPP was in the public interest. LCI is confident that after the Commission weights the benefit of BPP against todays operator services environment, it will become more clear that BPP is in the public's best interest.

Respectfully submitted,



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